

# **Shubh** **Nivesh**



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## Strategic expansion to drive growth...

**About the stock:** Star Cement is a leading cement manufacturer in India with a strong foothold in North-Eastern region and a rapidly expanding presence in Eastern region states also (like West Bengal and Bihar)

- At present, company has cement capacity of 9.7 million tonnes (mtpa) and clinker capacity of 6.1 mtpa. Also, company has market share of ~27% in North-East markets

### Investment Rationale

- Volume growth expected at ~13% CAGR over FY25-28E; Doubling capacity by FY29E:** Volume growth remained strong at 18.5% for 9MFY26, driven by healthy demand across its north-east & east markets and improvement in capacity utilisation (post commissioning of clinker unit at Meghalaya in FY25). Going ahead, we believe that company's volume growth to remain better-than-industry in the coming period, led by steady demand growth and expansion plan. Company plans to enter into Bihar market with a 2 mtpa capacity which will take total capacity to 11.7 mtpa by FY28E (from 9.7 mtpa at present). Further, expansion plans in north India (include 3 mtpa clinker with 3 mtpa grinding at Rajasthan and 2 mtpa split GU at Haryana) targeted for completion by FY29E. Moreover, Jorhat (Assam) GU of 2 mtpa has been deferred and likely to be commissioned along with new clinker line planned at Umrangso (Assam). These expansions will take total capacity to 18.7 mtpa by FY29E. We estimate volume CAGR of 13% over FY25-28E
- EBITDA/ton expected to improve to Rs 1850+/ton by FY28E, led by focus on cost structure:** During 9MFY26, company's profitability improved sharply on YoY basis (EBITDA/ton stood at Rs 1650/ton, +66% YoY), led by improvement in realisations, lower RM cost and positive operating leverage. We believe that company's EBITDA/ton to remain strong going forward, led by continuous focus on operational efficiencies (led by increase in share of renewable power, WHRS and captive coal, freight cost optimisation through addition of grinding units in NE, North & West regions) and incentives from state government. We estimate company's EBITDA/ton to improve to ₹ 1865/ton in FY28E from ₹ 1229/ton in FY25 (~₹ 635/ton improvement over the period)
- Net debt/EBITDA to remain below 1.5x:** Despite a robust capex plan (₹4,800 crore over FY26E–FY29E), the company's balance sheet is expected to remain strong, supported by healthy earnings growth over the same period. With disciplined capital allocation and strong internal accruals, management remains confident of maintaining net debt/EBITDA below its 1.5x threshold, even while pursuing ambitious capacity expansion. The company also plans to utilize QIP funding, if required, to support capex needs while preserving balance sheet strength

### Rating and Target Price

- With healthy volume growth and healthy improvement in EBITDA/ton over FY25-28E, we expect revenue to grow 14.5% CAGR over FY25-28E while EBITDA & PAT are expected to grow at ~29% & ~49% CAGR respectively.
- We maintain **BUY** on Star Cement with a target price of Rs 300 (based on 11x EV/EBITDA on FY27E and FY28E average)

### Key Financial Summary

(Year-end March)	FY23	FY24	FY25	2 Year CAGR (FY23-25)	FY26E	FY27E	FY28E	3 Year CAGR (FY25-28E)
Revenues	2,705	2,911	3,163	8.1%	3,746	4,227	4,749	14.5%
EBITDA	468	556	579	11.1%	938	1,080	1,251	29.3%
EBITDA margin (%)	17.3	19.1	18.3		25.0	25.5	26.3	
Net Profit	248	295	169	-17.4%	405	490	563	49.4%
EPS (Rs)	6.1	7.3	4.2		10.0	12.1	13.9	
P/E (x)	35.4	29.7	52.0		21.4	17.9	15.6	
EV/EBITDA (x)	24.3	18.1	15.8		9.8	8.4	7.6	
EV/ton (\$)	173	175	134		112	110	96	
RoCE (%)	15.9	15.4	7.9		15.0	16.0	15.5	
RoE (%)	10.3	10.9	5.9		12.5	13.0	13.0	

Source: Company, ICICI Direct Research

ICICI Securities | Retail Research



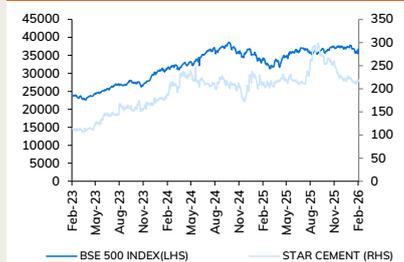
### Particulars

Particular	Amount
Market Capitalisation (Rs Crore)	8,609
FY25 Gross Debt (Rs Crore)	390
FY25 Cash (Rs Crore)	53
EV (Rs Crore)	8,946
52 Week H/L (Rs)	309 / 197
Equity Capital	40.4
Face Value	2.0

### Shareholding pattern

	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	57.7	57.7	57.6	57.6
FII	2.0	2.2	3.0	2.5
DII	5.2	4.9	4.4	4.5
Others	35.2	35.2	35.1	35.4

### Price Chart



### Recent Event & Key risks

- (1) Slowdown in demand
- (2) Delays in capacity expansion
- (3) Increase in commodity prices
- (4) High competition

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Sell: <-15%

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